

Department of Social and Health Services

DP Code/Title: M2-6B MMIS Reprocurement

Program Level - 080 Medical Assistance

Budget Period: 2001-03 Version: H3 080 2001-03 2003 Sup Agency Req

Recommendation Summary Text:

The department is requesting funds to reprocure the Medicaid Management Information System (MMIS) contract. The MMIS contract provides for the operation, maintenance, and enhancements for the Department of Social and Health Services (DSHS) Medicaid programs with provider payments and related reporting totaling over \$3 billion per year. The Information Services Board (ISB) supports this contract reprocurement effort. The current contract expires December 31, 2004. Funds requested will support the implementation of a new MMIS contract with existing functionality, third-party quality assurance oversight, legal counsel for contract development, and funding for a feasibility study to continue development of a long-term MMIS strategy to meet business payment and reporting needs.

Fiscal Detail:

Operating Expenditures

| | <u>FY 1</u> | <u>FY 2</u> | <u>Total</u> |
|---|--------------------|--------------------|---------------------|
| Overall Funding | | | |
| 001-1 General Fund - Basic Account-State | 0 | 21,000 | 21,000 |
| 001-C General Fund - Basic Account-DSHS Medicaid Federa | 0 | 189,000 | 189,000 |
| Total Cost | 0 | 210,000 | 210,000 |

Staffing

Package Description:

The MMIS contract provides for the operation, maintenance and enhancements for DSHS Medicaid programs with provider payments and related reporting. ISB supports this contract reprocurement effort. The current contract will expire on December 31, 2004.

Funding is necessary to begin the reprocurement effort in Fiscal Year 2003. The Medical Assistance Administration (MAA) will conduct a short-term feasibility study in Fiscal Year 2003 of changes necessary to MMIS to guide the reprocurement effort. Funding in Fiscal Year 2003 will support contracting for a project manager, the feasibility study, and third-party quality assurance services. A long-term feasibility study will be conducted in the 2003-05 Biennium to guide the state in re-developing MMIS for the future.

Narrative Justification and Impact Statement

How contributes to strategic plan:

Performance Measure Detail

Program: 080

Goal: 14H Strengthen Information and Fiscal Monitoring Systems

Incremental Changes
FY 1

FY 2

No measures submitted for package

Reason for change:

The ISB and DSHS Executive Management have identified that the MMIS system must be subject to competitive procurement to ensure that Washington is receiving the best service for the funding required to operate the system. Conducting a procurement now will ensure the continued operation of MMIS while allowing DSHS to begin re-configuration of MMIS to better meet today's system needs. DSHS will also gain better access to data resources at a time when identifying and researching Medicaid spending trends is paramount for effective management of the program.

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Impact on clients and services:

If DSHS begins work as proposed in this decision package it is expected that there will be no impact on clients or services due to this change.

Impact on other state programs:

Any program that processes claims or other transactions through MMIS will be affected. This includes Mental Health, Division of Developmental Disabilities, Aging and Adult Services Administration, and Division of Alcohol and Substance Abuse. All programs that rely on MMIS for processing or data will be required to participate in the transition analysis, testing, and parallel operation.

Relationship to capital budget:

None

Required changes to existing RCW, WAC, contract, or plan:

None

Alternatives explored by agency:

Alternatives to reprocurement that were explored include:

1. Total replacement - This option would entirely replace MMIS with a different system. This option cannot be implemented within the time available before expiration of the current contract. The time needed for implementation of this option is estimated at five to seven years, and is complicated by Health Insurance Portability and Accountability Act (HIPAA) implementation, and the overall complexity of the MMIS system.
2. Extend existing contract - This option would continue with the current vendor and contract, without competitive procurement. The current vendor contract has been extended for many years. State procurement law and requirements of the ISB and DSHS Executive Management prohibit this option.
3. Determine long-term direction with a feasibility study - This option would conduct a feasibility study of changes necessary to MMIS to meet the short- and long-term business needs of the state's Medicaid program. While it is necessary for this activity to be completed, Washington State cannot wait until the study is complete before making any decisions about the future of MMIS. This request proposes completion of a short-term feasibility study in Fiscal Year 2003 to guide reprocurement efforts, and a long-term feasibility study in 2003-05 to guide the state in re-developing MMIS for the future.
4. Reprocure contract - This option would develop a Request for Proposal (RFP) to re-procure the current MMIS operation. Reprocurement may involve acquiring some enhancements related to improved modularity of services, or it may involve simply reprocuring the same system. Reprocuring the same system at its current level without making an incremental step towards a more flexible MMIS (thereby moving us toward the future of MMIS) would not gain the state anything from a large and expensive activity. The results of the feasibility study will directly influence the scope of the re-procurement RFP.

Alternative chosen for this proposal:

It has been determined by the department that a combination of concurrently conducting a feasibility study to determine the long-term direction of MMIS and reprocuring the existing contract offers the state the best solution.

Reprocurement will include acquiring some enhancements to the existing system, so it will meet the requirements of state

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law, and procurement rules, and DSHS can begin the process of identifying a future direction for the system. Reprocurement is also necessary to allow the opportunity to adjust the contractual relationship between DSHS and the successful contractor and will enable redirecting resources to meet current business needs. This strategy also builds upon the investments already made in data accessibility and those that are imminent with the HIPAA implementation.

The long-term feasibility study will give the state a clear understanding of the preferred direction for future MMIS development. The current system was installed in Washington in 1984 and built off a 1979 Iowa system written in COBOL. The system's long-term viability must be carefully examined to ensure that business needs of the state continue to be met in the future.

Budget impacts in future biennia:

There are no direct budget impacts in future biennia resulting from the expenditures proposed in this supplemental request.

Distinction between one-time and ongoing costs:

The feasibility study, contract development legal assistance, and third-party quality assurance costs are one-time.

Effects of non-funding:

If funding is not provided, the state could risk losing the contract for operation of the MMIS system. MMIS is a requirement of participation in Medicaid, so loss of the contract for operation of the system would put Medicaid funding at risk. MMIS pays over \$3 billion annually to thousands of providers for health care services to clients in need.

Alternatively, the state would continue the practice of extending the current contract for MMIS operation and lose the ability to re-examine the system for better functionality, reporting and operation. The opportunity for improving the system for long-term functioning would be lost.

Expenditure Calculations and Assumptions:

| <u>Object Detail</u> | | <u>FY 1</u> | <u>FY 2</u> | <u>Total</u> |
|--|-----------------------|--------------------|--------------------|---------------------|
| Overall Funding | | | | |
| E | Goods And Services | 0 | 210,000 | 210,000 |
| <u>DSHS Source Code Detail</u> | | | | |
| Overall Funding | | <u>FY 1</u> | <u>FY 2</u> | <u>Total</u> |
| Fund 001-1, General Fund - Basic Account-State | | | | |
| <u>Sources</u> | <u>Title</u> | | | |
| 0011 | General Fund State | 0 | 21,000 | 21,000 |
| Total for Fund 001-1 | | 0 | 21,000 | 21,000 |
| Fund 001-C, General Fund - Basic Account-DSHS Medicaid Federa | | | | |
| <u>Sources</u> | <u>Title</u> | | | |
| 19UD | Title XIX Admin (90%) | 0 | 189,000 | 189,000 |
| Total for Fund 001-C | | 0 | 189,000 | 189,000 |
| Total Overall Funding | | 0 | 210,000 | 210,000 |